UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.
GENERAl

E/ECA/TRADE/92/14
4 August 1992

Original: ENGLISH

UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA

Meetings of the Working Group of African Governors
of the World Bank and the International
Monetary Fund

Arusha, 3 August 1992

AFRICA'S SUSTAINABLE DEVELOPMENT IN THE POST-RIO EARTH SUMMIT

ECA Secretariat Note to the African Governors during the 1992 Annual Meetings of the World Bank and the International Monetary Fund

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I. INTRODUCTION

1. The 1992 Annual Meetings of the World Bank and the International Monetary Fund are taking place in the aftermath of the recently completed Rio Earth Summit. The world's awareness regarding the impact of economic development on the environment was substantially raised prior to and during the Rio Earth Summit. In recognition of the global importance of this issue, the World Bank devoted the entire contents of its World Development Report 1992 to addressing the problem of achieving sustainable and equitable development in an environmentally responsible manner.

2. The Earth Summit billed itself as a conference on environment plus development. This is a logical link because while the environment in which we live is our home, the way we practice our development affects our home directly and vice-versa. Similarly, rich and poor, or North and South, irrespective of your definitional preferences, undertake economic development to the best of our abilities, economic limitations and technological know-how.

3. How does Africa stand before this raised awareness, and what does the future hold for the region's population? During the next four decades, from the years 1991 to 2030, according to one World Bank estimate, the population of Sub-Saharan Africa alone will nearly triple from 510 million to 1346 million.[1] This trend will inevitably put great pressure on increased food production, energy use and industrial output in order to maintain our present general living standards from dropping. This prospect presents enormous challenges for environmental protection.

4. A selection of present statistics show a dismal picture for Africa, as compared with the rest of the world. Africa has the lowest share of annual water withrawal as a share of total water resources available at its disposal; the lowest per-capita annual water withdrawal; the lowest production and yields of selected crops, fertilizer consumption and irrigation and; the lowest rates of combined energy consumption, among others.[2]

5. Confronted with this stark reality and the freshly raised awareness of the interlinkages between environmental concerns and Africa's rightful aspirations for economic development, this paper attempts to bring forth to the attention of this distinguished gathering ECA's modest contribution on this timely and extremely important subject.

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[1]World Bank, World Development Report 1992, Development and the Environment, Washington, D.C., May 1992.

[2]World Bank, op.cit.

II. THE ENVIRONMENT AND AFRICA'S SUSTAINABLE DEVELOPMENT

6. The fact that economic development and environmental protection are intrinsically intertwined has been amply established prior to, during and after the Rio Earth Summit. The African Common Position on the environment and development agenda reiterated the "close link between development and environment and that sustainable development has to be based on permanent environmental protection mechanisms."[3]

7. Africa's Common Position also further acknoledges that the lack of financial resources and the unbearable debt burden plaguing the region are two of the most serious constraints to the development and acquisition of environmentally friendly technology. The same factors combine and stand in the way of the efforts of

African peoples wanting to carry out economic development in an environmentally sound manner. Poverty and over-exploitation of natural resources in Africa are interlinked. African countries regret to note that poverty, debt and the stringent conditions related to international trade are compelling them to adopt environmentally damaging survival strategies.[4]

8. Africa is keenly aware that a national political commitment is needed to ensure that the development process does not destroy the resource base on which future development will depend. Nevertheless, Africa must insist on the legitimate right of the African countries to exploit their natural resources for development purposes. In other words, Africa wishes to believe that environmental restrictions will not hamper nor unduly precondition financing of development in the region.

9. The problem of achieving economic development in an environmentally responsible manner essentially boils down to resolving the question of allocation of costs and benefits. On one extreme, some propositions argue for limits on the share of consumption of the rich North. On the other extreme, are the limitations and constraints proposed to the poor South on the use and exploitation of their natural resources for development in the sake of environmental protection.

10. We all have seen the result of "forced" or un-environmental economic development in the former Soviet union and Eastern Europe. The uncovering of such ecological disasters in the name of heavy industry and economic development is still shocking the world. So

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[3]United Nations ECA, African Common Position on the African Environment and Development Agenda, E/ECA/CM.18/CRP.1, March 1992.

[4]UN-ECA, op.cit.

the theme for the future has become the nebulous but catchy notion of "sustainable development." But how can this notion be made more clearer and less of just wishful thinking? To some in the South, the current prescriptions for sustainable development may sound as instructions to win a "Darts Game" that simply directs the player to "hit the bull's-eye."

11. Therefore, not only has the notion of sustainable development has to be clarified but also the means to achieve such development have to be made available to the empoverished African region. A marked reluctance from the part of the industrialized world, particularly from the United States, had been observed during the Rio Earth Summit, to negotiate and directly link issues of debt, trade and institutional change. It is unrealistic therefore to expect Africa to embark on a process of environmentally sustainable development for the benefit of the whole world without adequate financial support from the international community.

III. CONSTRAINTS TO AFRICA'S ENVIRONMENTAL ACTIVITIES

12. Africa's large and seemingly intractable external debt problem immediately comes to mind as one of the major constraints to a more activist stance regarding the preservation of its environment. Africa's external debt burden amounted to US$270 billion in 1990 alone and represented an outlay of US$20 billion just to service the debt. As earlier stated, poverty, the lack of adequate physical and human infrastructure, declining agricultural production, dismally deteriorating terms-of-trade, and the effects of natural and man-made disasters among others have combined to tie Africa's in spite of the region's best intentions.

13. In order for African countries to properly evaluate the costs and benefits of environmental activism and to have parameters to measure sustainable growth, they need an updated national accounts system that could reasonably measure the value of economic development activities. The United Nations Statistical Office (UNSO) has come up with an approach that aims at developing a system of 'satellite' national accounts. It explicitly incorporates the links beween economic activity and the use of natural and environmental resources.[5] Hopefully, with the use of such tool Africa could have a clearer picture of the extent that development activities affect the degradation of the environment.

14. The move towards privatization, much encouraged by Structural Adjustment Programmes (SAP's) currently undertaken by a majority of African countries, is helping some developing countries rediscover the entrepeneurial spirit and potential of the private sector.

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[5]World Bank, op.cit., Box 1.3, p.35

However, because of its tendency towards the achievement of short term profits, the private sector is notoriously lacking and sometimes downright irresponsible in areas such as environmental protection. A prime example of the latter can easily be seen in the industrialized countries and the actions of a number of transnational corporations (TNCs). Under this circumstances it is important that governments should keep a preeminent role in this area. It is the responsibility of the public sector to maintain and ensure a proper balance beween income growth, development and environmental protection.

15. Africa painfully recognizes the paradox that while there is a strong urgency to lift the living standards of the poor, it should bear in mind the danger that, more often than not, it is the poorest segments of society that suffer most from the ravages of pollution and environmental degradation. We are aware of the fact that wise environmental policies that fairly asses the costs and benefits of environmental protection could have built-in healthy redistribution effects.

IV. COMPLEMENTARITY OF RESOURCE FLOWS AND AFRICA'S SUSTAINABLE DEVELOPMENT

16. Africa has long recognized the fact that there are clearly marked tradeoffs between the costs and benefits of conservation and development. Some of the economic valuation techniques developed by the UNSO can be used to measure the benefits of utilizing specific areas or resources and compare them with the cost and benefits of conservation. In most cases however, there are net costs associated with conservation in developing countries. It is some of these that we urge should represent the international transfers needed to justify conservation on economic grounds. After all, the international community as a whole will benefit from conservation, while the costs of maintaining the area and its ecology, plus the associated economic losses from non-exploitation of resources, has to be borne by the conserving country.

17. The rich North has had decades to develop and exploit its natural resources and, as the evidence of environmental damage clearly demostrates, they have not been the best stewards of mother nature. Fortunately, not all is lost in the battle against global environmental disaster. There are still areas of unspoilt forests and of low industrial density and contamination. These areas and marginally tapped resources lie mostly in the developing world. The world recognizes the communal value associated with its preservation. It should therefore also be prepared to contribute substantially and concretely to its upkeep.

18. One innovative tool for financing environmental conservation

is the implementation of debt-for-nature swaps. However, this tool has some serious limitations. Originally, debt-for-nature swaps were developed to convert commercial debt and or bilateral debt from Less Developed Countries into financial savings to be used for the protection of the environment. The idea is quite

simple yet, in reality, debt-for-nature swaps represent both potential benefits and substantial problems. The principal benefit lies in the reduction of the beneficiary's external debt and the facilitation in the management of such debt. So far, 17 swaps in nine countries have retired nearly US$100 million in external debt, using an original donation of US$16 million.[6]

19. The problems of debt-for-nature swaps can be summarized as follows: (i) the scarcity of financial expertise needed for their execution; (ii) the domestic implications for receipient countries, including greater domestic spending, potentially inflationary effects and budgetary problems that may preclude the conversion of debt into a domestic obligation; (iii) the valuation of <u>real benefits</u> for receipients, meaning that if the value of local currency obtained in exchange for foreign debt is too close to the face value of the debt the real benefit to the country is minimized; (iv) the potential for reallocation of aid instead of generation of additional resources and; (v) the fact that the pool of financing available for this kind of swaps is likely to be small compared to the environmental needs and the size of the debt problems of countries.

V. CONCLUSIONS

20. In summary, the African Common Position calls for significant assistance to the region in order to enable the African countries to respond to the challenge of environmental protection for the benefit of all humanity. Specifically, among other things it calls for the release of resources for environmental conservation through total bilateral debt cancellation for African countries; the revitalization of commodity agreements to enhance the income generating ability of African countries and; the insistence on enforcement of the transfer of clean technology.

21. The challenge before the African continent and the whole world is daunting. Although Africa recognizes its paramount importance, the continent cannot carry out the whole burden of environmental responsibility without external financial resources. Over and above, African countries will need to formulate, individually and collectively, environmentally sustainable development programmes that will benefit from financial resources to be made available in

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[6]World Bank, op.cit. p.169

line with the Rio Earth Summit. This should include environmentally based development programmes and projects which can benefit from debt-for-nature swaps.